

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Approval of Minutes May 3, 2001

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: June 7, 2001

INFORMATION: _____

PRESENTER(S): Chairperson

Please see the attached minutes of the May 3, 2001, meetings of the Teachers' Retirement Board.

PROPOSED
MINUTES OF THE
TEACHERS' RETIREMENT BOARD
OPEN SESSION
THURSDAY, MAY 3, 2001
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA 95826

BOARD MEMBERS PRESENT

Gary Lynes, Chairperson
George Fenimore
Marty Mathiesen
Karen Russell
Jay Schenirer
Carolyn Widener
Annette Porini, representing the Director of Finance, B. Timothy Gage
Walter Barnes, representing the State Controller, Kathleen Connell
Curt Robinson, representing the Superintendent of Public Instruction, Delaine Eastin
Jennifer DuCray-Morrill, representing the State Treasurer, Philip Angelides

STAFF PRESENT

James D. Mosman, Chief Executive Officer
Christopher Ailman, Chief Investment Officer
Christopher Waddell, Chief Counsel
Elleen Okada, Director, Investment Administration and External Relations
Peggy Plett, DCEO, Administration
Michael Carter, DCEO, Client Benefits and Services
Laurence Martin, DCEO, Information and Financial Systems
Ed Derman, DCEO, External Affairs and Program Development
Ken Costa, START Project Director
Ted Hynson, Chief, Administrative Services
Rick Reed, System Actuary
Mary Miles, Administrative Assistant

OTHERS PRESENT

Mark Johnson, Milliman and Robertson	Beverly Carlson, CTA
Bill Collins, CTA	Al Reyes, UTLA
Loretta Toggenburger, UTLA-R	Karen Stapf-Waters, ACSA
George Wichman, CTA	Edna White, CRTA
Zoe Ann Murray, CRTA	Earnest Kettenring, CCAE
Elizabeth Mackenzie, CRTA	Pat Geyer, CRTA
John Baley, FACCC	Michael Green, CTA
Susan Goff, CRTA	James Hull, CRTA
Dorothy Moser, CTA/NEA-R	Ann McWherter
Eva Hain, CRTA	

A quorum being present, Chairperson Lynes called the meeting to order at 10:37 a.m.

II. **APPROVAL OF MINUTES OF APRIL 5, 2001**

MOTION duly made by Mr. Fenimore, seconded by Mr. Robinson, and carried to approve the minutes of the April 5, 2001, regular meeting.

III. **ANNOUNCEMENTS**

Chairperson Lynes announced that introductions of the START Project Team Leaders would begin at 11 o'clock.

IV. **COMMITTEE REPORTS**

INVESTMENT COMMITTEE: Mr. Lynes, Chairperson of the Investment Committee, reported that, in open session, the Investment Committee took a support, if amended position on Senate Joint Resolution 9, approved exploring new opportunities in alternative investments to be included in next year's Investment Management Plan, received a report on and Urban Housing Investment Plan, and had a general investment education overview that reviewed the Investment operations. The Committee received a report on Cash Equitization Program for Internal Equities, a report on active US and non-US managers, and update on Securities Lending, a presentation on soft dollars, an update on investment related expenditures, and activity status reports on Credit Enhancements, Real Estate, Alternative Investments, and a report from the Chief Investment Officer Report.

BY CONSENSUS, the report of the Investment Committee was accepted.

BENEFITS AND SERVICES COMMITTEE: Ms. Russell, Chair of the Benefits and Services Committee, reported that the Committee approved the consent agenda as presented, and recommended the Board adopt the following rates for 2001/2002: Contribution Rate for Additional Service Credit, Employer Contribution Rate for Elected Officials of Employee Organizations, and Revised Employer Contribution Rate for the Reduced Workload Program.

MOTION duly made by Ms. Russell, and carried to approve the 2001/2002: Contribution Rate for Additional Service Credit, Employer Contribution Rate for Elected Officials of Employee Organizations, and Revised Employer Contribution Rate for the Reduced Workload Program.

Ms. Russell also reported the Committee received reports on the Client Advisory Committee meeting, Warrant Stub Message, and the Level of Services Standards.

BY CONSENSUS, the report of the Benefits and Services Committee was accepted.

HEALTH BENEFITS COMMITTEE: Mr. Barnes, for the Chairperson of the Health Benefits Committee, reported that the Committee approved distributing the 2001 Report to the Legislature on Health Care with an amendment adding clarification on the need for sufficient funding through surplus funds. The Committee made decisions regarding the funding of the Medicare Benefit Program and several related issues, specifically, approved two recommendations from staff for the Board to sponsor statutory amendments to the Medicare Benefits Program regarding the eligibility to the program and extending

eligibility to members who may not have enrolled during the short term period the first year. Mr. Barnes also requested but received no changes to the draft agenda for the next Committee meeting.

BY CONSENSUS, the report of the Health Benefits Committee was accepted.

V. **CHIEF EXECUTIVE OFFICER REPORT**

Mr. Mosman reported a second payroll cycle had been processed through the START environment and that some issues had been identified, but there were no major problems. He reported the phone system problems identified earlier have been dealt with, and the system is moving back to a normal level of processing. Mr. Mosman also reported steps had been taken to conserve energy and plans are in place in case of an electrical blackout which will be dealt with on a case by case basis.

VI. **CONTRACTS EXTENTION REQUEST** (Item 8)

(This item was taken out of order.)

Mr. Hynson requested approval of an Exemption from Competitive Bid Requirement for the extension of amendment number one to contract number 1999-087S with PricewaterhouseCoopers LLP.

MOTION duly made Mr. Fenimore, seconded by Ms. Widener, and carried to approve the exemption from Competitive Bid Requirement for the execution of amendment number one to contract number 1999-087S with PricewaterhouseCoopers LLP. Mr. Barnes voted no.

VII. **TRAVEL** (Item 9)

(This item was taken out of order.)

Mr. Mosman presented this item.

MOTION duly made by Mr. Robinson, seconded by Mr. Fenimore and carried to approve the travel requests as submitted. Mr. Barnes voted no.

MOTION duly made by Mr. Fenimore, seconded by Ms. Widener, and carried to approve the travel summary as submitted.

VIII. **STATE TEACHERS' AUTOMATED REDESIGN TEAM (START) INTRODUCTIONS** (Item 10)

(This item was taken out of order.)

Mr. Costa introduced team leaders for the fifteen different teams that worked on the START Project. The team leaders were: Meredith Henderson for the System Experts Team and Letter Generation Team; Janice Hanson for the Development/Conversion Team; Tracy Scribner for the Data Base Design Team; Adriana Christopher for the START Model Office; Paul Spencer for the Report Interaction, and Survivor Benefits, Disability, Service Retirement, Services, and Accounting Testers, and the Technical Support staff; Amanda Pain for the Reconciliation Team; Barbara Diedesch for the End User Training Team; and Debbie Balaam for the Implementation/Downtime Team.

Ms. DuCray-Morrill requested the Board to reconsider the motion approving travel (Item 9a) and asked that the vote be retaken.

MOTION duly made by Ms. DuCray-Morrill, seconded by Mr. Fenimore, and carried to reconsider the motion to approve the Travel Requests – item 9a.

MOTION duly made by Mr. Robinson, seconded by Mr. Fenimore and carried to approve the travel requests as submitted. Ms. DuCray-Morrill and Mr. Barnes voted no.

IX. **ADOPTION OF JUNE 30, 2000, ACTUARIAL VALUATION FOR THE DEFINED BENEFIT PROGRAM**

Mr. Reed and Mr. Johnson from Milliman and Robertson, presented the June 30, 2000, Actuarial Valuation for the Defined Benefit Program.

MOTION duly made by Mr. Mathiesen, seconded by Ms. Russell, and carried, to adopt the June 30, 2000, Actuarial Valuation for the Defined Benefit Program.

X. **ADOPTION OF JUNE 30, 2000, ACTUARIAL VALUATION FOR THE CASH BALANCE BENEFIT PROGRAM**

Mr. Johnson from Milliman and Robertson, presented the June 30, 2000, Actuarial Valuation for the Cash Balance Benefit Program.

MOTION duly made by Mr. Fenimore, seconded by Ms. DuCray-Morrill, and carried, to adopt the June 30, 2000, Actuarial Valuation for the Cash Balance Benefit Program, and not give an additional earnings credit to participants for 1999/2000.

Ms. Widener requested that staff explain to members of the Cash Balance Benefit Program the reasons behind not giving an additional earnings credit for 1999/2000.

XI. **UPDATE ON LEGISLATION**

STATE: Mr. Derman reported the System's budget had been heard and approved by the subcommittees on both sides of the Legislature.

AB 135 (Havice) – Final Compensation / Purchasing Power. Staff recommended the Board adopt a support, if amended position to identify a funding source for the provisions dealing with highest year compensation.

MOTION duly made by Mr. Mathiesen, seconded by Ms. Russell, and carried to adopt a support, if amended position on Assembly Bill 135. Ms. Porini abstained.

AB 607 (Negrete McLeod) – Elimination of 2.4 percent limit on age/career factors. Staff recommended the Board adopt a support, if amended position to identify a funding source.

MOTION duly made by Ms. Russell, seconded by Ms. Widener, and carried to adopt a support, if amended position on Assembly Bill 607. Ms. Porini abstained.

SB 191 (Karnette) – Defined Benefit Supplement Enhancement, payment of Medicare Part B and Health Benefit Account. Staff recommended the Board adopt a support, if amended position to identify a funding source.

MOTION duly made by Ms. Widener, seconded by Ms. Russell, and carried to adopt a support, if amended position on Senate Bill 191 to identify a funding source and to reflect the recommendations contained in the 2001 Report to the Legislature on Health Care. Ms. Porini abstained.

SB 334 (Ortiz) – Retirement Following Reinstatement. Staff recommended the Board adopt a support position.

MOTION duly made by Ms. Russell, seconded by Mr. Schenirer, to adopt a support position on Senate Bill 334. Ms. Porini abstained.

SB 461 (Torlakson) – Catastrophic Prescription Drug Insurance Program. Staff recommended the Board adopt a support, if amended position to identify a funding source and to specify the number of years a member has to serve to become eligible for the benefit and to determine the total cost of the benefit program.

MOTION duly made by Ms. DuCray-Morrill, seconded by Ms. Widener, and carried, to adopt a support, if amended to identify a funding source position on Senate Bill 461. Ms. Porini abstained.

FEDERAL: Mr. Derman reported the President had appointed a commission to look at Social Security reform and come up with plans to develop a privatized retirement plan. Staff will update information prepared a few years ago to send to the commission to look at what it would cost the districts to have a system that would pay comparable benefits but coordinated with Social Security and the effect it would have on the districts.

XII. **DRAFT AGENDA FOR THE JUNE REGULAR MEETING**

There were no changes to the agenda.

XIII. **OPPORTUNITIES FOR STATEMENTS FROM THE PUBLIC**

There were no statements.

XIV. **MOVED TO CLOSED SESSION**

Chairperson Lynes moved into closed session at 1:35 p.m.

XV. **ADJOURNMENT**

There being no further business to conduct, the meeting was adjourned at 1:38 p.m.

James D. Mosman, Chief Executive Officer
and Secretary to the Teachers' Retirement Board

Gary Lynes, Chairperson